



**FILED**

12-11-07  
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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U60W), a corporation, for an order authorizing it to increase rates charged for water service in its Chico District by \$6,380,400 or 49.1% in July 2008, \$1,651,100 or 8.5% in July 2009, and by \$1,651,100 or 7.9% in July 2010; in its East Los Angeles District by \$7,193,200 or 36.5% in July 2008, \$2,034,800 or 7.6% in July 2009, and by \$2,034,800 or 7.0% in July 2010; in its Livermore District by \$3,960,900 or 31.2% in July 2008, \$942,200 or 5.6% in July 2009, and by \$942,200 or 5.4% in July 2010; in its Los Altos-Suburban District by \$5,172,500 or 30.5% in July 2008, \$1,189,100 or 5.4% in July 2009, and by \$1,189,100 or 5.1% in July 2010; in its Mid-Peninsula District by \$5,435,100 or 23.7% in July 2008, \$1,634,200 or 5.8% in July 2009, and by \$1,634,200 or 5.5% in July 2010; in its Salinas District by \$5,119,700 or 29.8% in July 2008, \$3,636,900 or 16.3% in July 2009, and by \$2,271,300 or 8.7% in July 2010; in its Stockton District by \$7,474,600 or 29.0% in July 2008, \$1,422,400 or 4.3% in July 2009, and by \$1,422,400 or 4.1% in July 2010; and in its Visalia District by \$3,651,907 or 28.4% in July 2008, \$3,546,440 or 21.3% in July 2009, and by \$3,620,482 or 17.6% in July 2010.

Application 07-07-001  
(Filed July 3, 2007)

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER AND  
ASSIGNED ADMINISTRATIVE LAW JUDGE**

**Summary**

This ruling and scoping memo (Scoping Memo) confirms certain rulings made at the prehearing conference (PHC) held on August 31, 2007, sets forth the

scope and schedule of this proceeding, and addresses other procedural requirements. We are issuing this ruling after the Public Participation Hearings (PPHs) in this case to ensure the scope includes issues raised by members of the public at those hearings.

### **Scope of the Proceeding**

California Water Service Company (Cal Water) has filed for water rate increases in all of its 24 California Districts. In eight of those districts – Chico, East Los Angeles, Livermore, Los Altos, Mid-Peninsula, Salinas, Stockton and Visalia (collectively, the Eight Districts) – Cal Water seeks rate increases attributable to increases in expenditures in those districts, as well as to increases in Cal Water's General Office expenses. In the remaining 16 districts, Cal Water seeks rate increases attributable only to General Office expense increases.

The Commission's Division of Ratepayer Advocates (DRA) is participating actively in all aspects of the proceeding, and additional groups and individuals have intervened for limited purposes. Jeffrey Young has intervened with regard to the allocation of General Office expenses in the Redwood Valley District; Arthur Mangold has intervened with regard to the Mid-Peninsula District; and the City of Los Altos has intervened with regard to issues in its own district. Administrative Law Judge (ALJ) Thomas has granted each of these parties' motions to intervene, limiting their participation to the issues in their districts.<sup>1</sup>

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<sup>1</sup> While the Leona Valley Town Council submitted a Notice of Intent to Claim Intervenor Compensation, as of this writing they have not actually intervened in the proceeding. The Commission's docket office has inquired as to their intentions. I will withhold action on the Notice of Intent pending further action by the Leona Valley, a community in unincorporated Los Angeles County.

The Commission sponsored PPHs covering the Eight Districts listed above, and took public comment with regard to the proposed rate increases. The Commission has also received communications by letter and e-mail from members of the public wishing to weigh in on the proposed rate increases. We have considered this public input in delineating the scope of this proceeding.

The following issues are within the scope of the proceeding, in no particular order:

- 1) Appropriateness of all rate increases;
- 2) Necessity to phase in rate increases to mitigate rate shock;
- 3) How Cal Water's authorized and actual rates of return have matched up in recent years;
- 4) Cal Water's accounting for and provision of unregulated services for, without limitation, municipal water district billing contracts, placement of antennae on Cal Water property, and the Extended Service Protection (ESP) program;
- 5) Whether the infrastructure upgrades Cal Water proposes (including new customer service centers) are reasonable;
- 6) The appropriateness of Cal Water's vehicle retirements schedule(s);
- 7) Cal Water's water quality in the Eight Districts<sup>2</sup>;
- 8) Cal Water's water conservation/efficiency plans, to the extent not covered in the Commission's generic water conservation investigation, Investigation 07-01-022;
- 9) Institutional advertising cost allocation;

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<sup>2</sup> On September 14, 2007, ALJ Thomas ordered the Water Division to commence its own water quality assessment in the Eight Districts. I am informed that Water Division has not yet retained its own expert. Therefore, parties shall address water quality during the hearings.

- 10) Health care, workers' compensation and employee benefit cost increases;
- 11) Impact of prior settlements on later requests related to settled matters;
- 12) Appropriateness of proposed new employee hiring;
- 13) Allocation of costs attributable to Sarbanes-Oxley<sup>3</sup> compliance and other Sarbanes-Oxley matters;
- 14) Use of varying year periods to forecast future revenues, costs and other activity, rather than the same period for each forecast;
- 15) Cal Water's proposed changes in per-lot special facilities fees and fire flow testing fees;
- 16) Appropriateness of Cal Water's asset/infrastructure upgrade planning for the future;
- 17) Extent to which Cal Water is working to control costs;
- 18) Appropriate cost allocation to developers;
- 19) Matters raised in the ALJ's rulings issued in this case; and
- 20) Other matters deemed within the proceeding's scope by the Assigned ALJ and/or Commissioner.

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<sup>3</sup> Sarbanes-Oxley Act of 2002, PL 107-204, 116 Stat 745.

## Schedule

The future schedule for this proceeding shall be as follows:

DATE	EVENT
January 3, 2008	DRA and other intervenors' testimony served (not filed).
January 22, 2008	Cal Water's testimony served (not filed).
January 25, 2008	Settlement discussions. Parties shall meet at least one time with a Commission neutral mediator before hearing. <b>They shall be in contact with ALJ Thomas well in advance of this date to have a mediator selected.</b>
February 11, 13, 14 and 15, 9:00 a.m. – 4:00 p.m.	Evidentiary hearings California Public Utilities Commission State Office Building 505 Van Ness Avenue San Francisco, CA 94102
February 29, 2008	Opening post-hearing briefs filed/served
March 14, 2008	Reply post-hearing briefs filed/served
June 10, 2008	ALJ proposed decision issued
June 27, 2008	Comments on proposed decision filed/served
July 7, 2008	Replies to comments on proposed decision filed/served
July 31, 2008	Commission decision

Our goal is to resolve this case as soon as possible; we anticipate that the resolution will not exceed 18 months from issuance of this scoping memo, pursuant to Pub. Util. Code § 1701.5.

### **Category of Proceeding**

This proceeding is categorized as ratesetting and it is determined that hearings are necessary.

### **Presiding Officer**

Pursuant to Commission Rule 6(c), assigned Commissioner John Bohn designates ALJ Thomas as the principal hearing officer.

### **Hearing Room Ground Rules**

Parties shall follow the requirements set forth in Appendix A regarding hearing room practice and handling of exhibits.

### **Communications with Decision Makers (*Ex Parte* Communication)**

Pursuant to Pub. Util. Code § 1701.3(c), *ex parte* communications are prohibited in this proceeding except under the following circumstances. Oral *ex parte* communications may be permitted at any time by any Commissioner if all interested parties are invited and given not less than three days' notice. Written *ex parte* communications are permitted by any party provided that copies of the communication are transmitted to all parties on the same day. Commission Rule 8.1 *et seq.* explains the *ex parte* rules in more detail. The Commission's rules are available on the [www.cpuc.ca.gov](http://www.cpuc.ca.gov) website at [http://docs.cpuc.ca.gov/published/RULES\\_PRAC\\_PROC/70731.htm](http://docs.cpuc.ca.gov/published/RULES_PRAC_PROC/70731.htm).

### **Discovery Disputes**

If the parties have discovery disputes they are unable to resolve by meeting and conferring, they shall contact ALJ Thomas to determine whether a written or oral motion is required.

**IT IS RULED** that:

1. The scope and schedule for this case are as set forth in this Scoping Memo, unless subsequently modified by assigned Commissioner or assigned Administrative Law Judge (ALJ) directive.
2. ALJ Thomas is the principal hearing officer in this proceeding.
3. Parties shall follow the instructions in Appendix A regarding ALJ Thomas' hearing room practice and handling of exhibits.
4. Pursuant to Pub. Util. Code § 1701.3(c), *ex parte* communications are prohibited except as set forth above and in Rule 8.1 *et seq.*
5. If the parties have discovery disputes they are unable to resolve by meeting and conferring, they shall contact ALJ Thomas to determine whether a written or oral motion is required.

Dated December 11, 2007, at San Francisco, California.

/s/ SARAH R. THOMAS

Sarah R. Thomas  
Administrative Law Judge

/s/ JOHN BOHN

John Bohn  
Assigned Commissioner

**APPENDIX A**

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**Hearing Room Ground Rules**

**ALJ Sarah Thomas**

**(415) 703-2310**

**srt@cpuc.ca.gov**

1. All prepared written testimony should be served by email and regular mail on all appearances and state service on the service list, as well as on the Assigned Commissioner's office and on the Assigned ALJ. Prepared written testimony shall not be filed with the Commission's Docket Office.
2. Each party sponsoring an exhibit should, in the hearing room, provide two copies to the ALJ and one to the court reporter, and have copies available for distribution to parties present in the hearing room.
3. The lower right hand corner of the exhibit cover sheet should be blank for the ALJ's exhibit stamp. If there is not sufficient room in the lower right hand corner for an exhibit stamp, please prepare a cover sheet for the exhibit.
4. As a general rule, if a party intends to introduce an exhibit in the course of cross-examination, the party should provide a copy of the exhibit to the witness and the witness' counsel before the witness takes the stand on the day the exhibit is to be introduced. A party is not required to give the witness an advance copy of the document if it is to be used for purposes of impeachment or to obtain the witness' spontaneous reaction.
5. Corrections to an exhibit should be made in advance and not orally from the witness stand. Corrections should be made by providing new exhibit pages on which corrections appear. The original text to be deleted should be lined out with the substitute or added text shown above or inserted. Each correction page should be marked with the word "revised" and the revision date.
6. Individual chapters of large, bound volumes of testimony may be marked with separate exhibit numbers, as convenient.
7. Partial documents or excerpts from documents must include a title page or first page from the source document; excerpts from lengthy documents should include a table of contents page covering the excerpted material.



**APPENDIX A**

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8. Parties should agree on an exhibit numbering scheme in advance of hearing. One party may use exhibits 1-100, the next party may use 101-200, and so on. All exhibits shall be pre-marked with their number and the name of the sponsoring party.
9. Confidential exhibits should bear the appropriate exhibit number and be followed by the letter "C." A redacted copy of such an exhibit shall also be provided for the public record. Thus, the confidential version of Exhibit 1 will be marked Exhibit 1-C, and the redacted (public) version of the document will be marked Exhibit 1.
10. During the hearing, the ALJ may ask one party to create a running exhibit list (with designation of the sponsoring party, the name of the document, whether exhibits are in evidence, and the date on which they were identified and received in evidence) and furnish it to the ALJ and all other parties.
11. No food is allowed in the hearing room; drinks are allowed if you dispose of containers and napkins every morning and afternoon.

**(END OF APPENDIX A)**

**INFORMATION REGARDING SERVICE**

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated December 11, 2007, at San Francisco, California.

/s/ TERESITA C. GALLARDO  
Teresita C. Gallardo